



DEPARTMENT OF THE TREASURY
WASHINGTON

June 7, 2000

The Honorable James Leach
Chairman
Committee on Banking and Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I write to express the Administration's strong support for H.R. 3886, the International Counter-Money Laundering Act of 2000. This bipartisan bill will greatly improve our ability to combat international money laundering.

International money laundering is an enormously important issue. Former IMF director Michel Camdessus has estimated the global volume of laundered money at 2-5 percent of annual global GDP -- \$600 billion at the low end. The laundering of this money allows terrorists, drug cartels, organized crime groups, and corrupt foreign government officials to profit from their illegal activities and finance new crimes.

Recent developments have made it easier for international criminals to launder their funds. Globalization and advances in communications and banking technologies allow criminals, like everyone else, to move their funds faster and farther than ever before. And the Internet now allows almost every bank in the world, well regulated or not, to be easily accessed. The result has been a proliferation in just the last few years of international money laundering havens. These are countries -- some of them small, remote islands -- that have recently passed laws providing excessive bank secrecy, anonymous company incorporation, economic citizenship, and other provisions that directly conflict with well-established international anti-money laundering standards. Many blatantly advertise their no-questions-asked banking services. Some have actually made this part of their official development programs.

The International Counter-Money Laundering Act of 2000 would provide the tools we need to crack down on international money laundering havens and protect the integrity of the U.S. financial system from the influx of tainted money from abroad. The bill provides for actions that will be graduated, discretionary, and targeted, so we will be able to focus our attention on international transactions involving criminal proceeds, while allowing legitimate international commerce to continue to flow unimpeded.

This bill would allow the Secretary of the Treasury to take two steps. First, after careful consultations with all relevant government officials including the Chairman of the Federal Reserve, the Secretary could designate a specific foreign jurisdiction, foreign financial institution, or class of international transactions as being of "primary money laundering

concern.” The Secretary’s consultations would ensure consideration of all relevant facts, including the specific type of money laundering threat we confront, the degree of cooperation we expect from our allies, and the possibility that inappropriate burdens or anti-competitive ramifications may result for domestic financial institutions. Second, after another round of consultations, the Secretary could take action to help prevent laundered money from slipping undetected into the U.S. financial system and, as a result, increase the pressure on that foreign jurisdiction to improve its own counter-money laundering efforts. The bill includes provisions for record-keeping and reporting, the identification of beneficial owners and those using correspondent or payable-through accounts, and for restricting correspondent relationships with money laundering havens and rogue foreign banks in certain circumstances.

This Act will complement our other anti-money laundering initiatives as detailed in the *National Money Laundering Strategy for 2000*, released earlier this year. Internationally, we have successfully worked with the 26-nation Financial Action Task Force to identify nations that have failed to cooperate with the international fight against money laundering. The FATF report, the first of its kind, is due later in the month. The issue will also be high on the agenda of the G-7 next month. Domestically, we have worked to focus federal law enforcement as never before. For example, working with the Congress we have identified the first four high-intensity financial crime areas and have begun a new grant program to help boost state and local law enforcement efforts.

We have found that the only way to combat this problem effectively is through coordinated efforts on all fronts: law enforcement, international cooperation, and regulatory oversight. Each of these are interdependent. Without any one, our efforts would be ineffective. For instance, if U.S. law enforcement is unable to penetrate foreign bank secrecy regimes, or if U.S. law enforcement did not have access to suspicious activity reports by banks, they could not successfully combat money laundering. Therefore, by improving our international efforts, we will not only achieve greater success in that area, but will improve federal, state and local law enforcement as well, while better protecting the integrity of the U.S. financial system.

The Administration strongly supports H.R. 3886, and urges its adoption by the Congress.

Sincerely,

Lawrence H. Summers

Identical letter sent to Rep. John LaFalce